

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

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FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION TRIAL BRIEF

February 10, 1998

Florida Gift Fruit Shippers Association files this Trial Brief:

GENERAL

Florida Gift Fruit Shippers Association is a user of Standard B - Parcel Post. Its parcels have an average weight of approximately 25 pounds. It is a drop shipper, and delivers parcels to 32 postal facilities, including all 21 BMCs.

It is sponsoring 3 witnesses in this proceeding:

FGFSA-T-1 Leonard Merewitz
FGFSA-T-2 Joseph E. Ball
FGFSA-T-3 Frank E. Davis

All of the testimony is directed to issues involving the development of costs for parcel post.

TRACS

This issue is addressed principally in the testimony of Witness Merewitz.

TRACS is the measurement system, established in 1990, which develops the distribution keys for purchased transportation. This system has never been closely examined in any Postal Rate Commission proceeding.

Our interest is in the portion of the system directed to highway transportation used in Intra-BMC and Inter-BMC movements, since that is the transportation mode most used for parcel post.

The Postal Service contracts for highway purchased transportation in round-trip units for Intra-BMC and Inter-BMC transportation. The cost of each round-trip is a joint cost, and it is improper to fragment the trip and attribute cost for each leg of the trip, as is the case in TRACS. Rather, the cost must be allocated to all mail using any part of the round-trip.

The sampling procedure used in TRACS is biased, in that it gives greater weight, for Intra-BMC trips, to the inbound leg of the trip, rather than to the predominant movement, which occurs on the outbound portion of the trip. This distorts the distribution key developed for parcel post, since drop shipping is not as prevalent for this mail, as compared with other classes, such as Standard A.

Analysis of the actual movement of various classes of mail demonstrates that the cubic feet of Standard A mail is much greater than that for parcel post. However, the TRACS sampling procedures provide the reverse result, and show that parcel post cubic feet are greater than that of Standard A.

The TRACS programs include several "expansion" features, which materially distort the data. Each sampled piece is expanded, first to the size of the container, and then to the size of the entire truck. The expansion is designed to allocate the empty space to the mail on the vehicle, even though the actual mail does not have any causal relationship to the empty space. The utilization of the vehicles is greater on the outbound trip than on the inbound trip. This is due to the increase in drop-shipping by mailers to the destination BMC facilities. This expansion to account for the empty space, coupled with the lower extent of utilization on the inbound trip and the greater sampling on the inbound trip, operate to discriminate against parcel post in the development of a fair and proper distribution key for the attributable costs for Intra-BMC transportation.

TRACS has such extensive deficiencies that it cannot be relied on for the development of distribution keys.

VARIABILITY OF PURCHASED TRANSPORTATION COSTS

This issue is addressed principally by Witness Merewitz.

USPS Witness Bradley developed the attributable nature of purchased highway transportation, by comparing costs with purchased capacity. He does not use any mail volume in his analysis, even though attribution requires a showing that costs vary with changes in volume.

Witness Merewitz demonstrates why Bradley's analysis cannot be relied on or used for the determination of attributable costs.

WEIGHT RELATED HANDLING COSTS

This issue is covered by Witnesses Ball and Davis.

The Postal Service proposes a 2 cents per pound element in the parcel post rate structure, designed to cover handling and processing costs which are related to the weight of the parcel. However, not witness is able to identify any costs which are affected by the weight of the parcel. At best, any differences in handling costs are related to size, or cube, of the parcel. These would be space related costs - floor space, platform space, container space, vehicle space, and the like.

Transportation costs, which are known to be related to the cube of the parcel, are allocated on a curvilinear basis so that the cube of the parcel would properly be compared with the weight of the parcel. Similarly, space related costs, which would be covered by the 2 cents per pound, should be allocated on the basis of cube of the parcels, rather than directly on weight. The same curvilinear basis would be appropriate to allocate these costs to the various weight units.

RATE SHOCK

This issue is addressed by Witness Davis.

The proposed rate increase for parcels over 10 pounds is 30%!

Witness Davis shows how a rate increase of this magnitude would severely and adversely impact his business, which relies on the Postal Service for the delivery of his products.

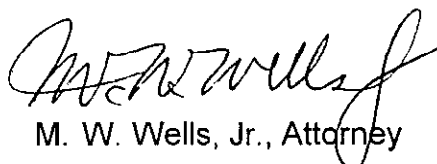
The failure of the Postal Service to reflect the Alaska By-Pass adjustment is the cause of the need for such increase. This adjustment must be continued.

Some constraints must be applied to avoid rate increases of 30%!

SUMMARY

The foregoing presents a thumbnail sketch of the issues addressed by Florida Gift Fruit Shippers. The testimony of the witnesses expounds on each issue, and referral to the testimony is respectfully made.

Submitted by,

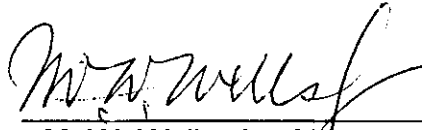


M. W. Wells, Jr., Attorney

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding on this date in accordance with Section 12 of the Rules of Practice and Procedure.

Dated : February 10, 1998



M. W. Wells, Jr., Attorney